

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7343**

**BILL NUMBER: HB 1415**

**NOTE PREPARED: Jan 9, 2007**

**BILL AMENDED:**

**SUBJECT:** Pension Obligation Bonds.

**FIRST AUTHOR:** Rep. Day

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits bonds, notes, or other obligations that are issued by a county or municipality to pay certain pension benefits to have a final maturity of not more than 40 years and be issued in an amount that does not exceed 2% of the true tax value of the property located within the county or municipality. It requires the proceeds of the bonds, notes, or other obligations to be deposited in a separate account in the Pension Relief Fund.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill allows counties and municipalities to issue bonds, notes, and other obligations to pay pension benefits for the 1925 Police Pension Fund, 1937 Fire Pension Fund, and the 1953 Police and Fire Pension Fund. About 133 municipalities have police and fire pension funds. The 2006 total assessed valuation of these units is about \$136.9 B. The maximum amount of police and fire pension bonds which could be issued would be about \$2.7 B. The levy necessary to amortize \$2.7 B over 40 years at 4% interest would be about \$138.3 M annually. The max increase in the tax rate to amortize of police and fire pension bonds over 40 years at 4% interest would be about \$0.101 based on 2006 AV. Increases in AV would increase the available pension bonding authority of the county and municipality. The actual impact would be subject to local action.

*Background:* The unfunded accrued liability for the pre 1997 Police and Fire Pension Funds was about \$3.2 B for 2005.

**State Agencies Affected:**

**Local Agencies Affected:** Municipalities and counties.

**Information Sources:** Department of Local Government Finance database, and Public Employees Retirement Fund's Police and Fire Actuarial Valuations.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.